

**REMARKS OF COMMISSIONER MICHAEL J. COPPS
TO
COMMONWEALTH NORTH POLICY GROUP
ANCHORAGE, ALASKA
JULY 24, 2002**

Thank you for the great turn-out this morning! Let me first thank you for the tremendous hospitality you are showing up during this visit to Alaska. Where I lived down South, we talked a lot about southern hospitality, but we don't have anything on you in that regard, so I appreciate this outpouring of Alaska hospitality. I am so pleased to be back. I had the opportunity to visit here before when I was Assistant Secretary of Commerce working on promoting U.S. exports and I had the chance to meet with some of you then and to visit several of your companies. I remember a very pleasant evening at the home of the University of Alaska Anchorage Chancellor Lee Gorsuch, and I recall with genuine pleasure an evening's conversation with Alaska's great Walter Hickel, from whom I learned so much about this wonderful state. So I'm glad to see some old friends and also glad for the chance to hopefully make some new ones.

My colleague, Commissioner Kevin Martin, asked that I express his regrets because he could not be here this morning due to one of those last-minute command performance meetings we all sometimes get involved in. That forced him to delay his trip by one day, but he is due in later this afternoon and I look forward to our joint hearing and other activities this week. I must note, however, that Kevin's absence gives me a few extra moments to speak, so while I regret his absence, I am not completely crestfallen.

I had the chance last week-end to read an excellent book called Airwaves Over Alaska which, as I'm sure most of you know, is a biography of the great Augie Heibert, the pioneering Alaska broadcaster. Indeed, it seems like he was "present at the creation" of so much of Alaska's broadcast development. One thing that struck me was the central importance of communications to the good people of this state. The book's introduction puts it well. It says: "Communication has had an impact on Alaska history second to no other development. The broadcast media, as an integral component of communication in Alaska, has furnished Alaskans not only with quality entertainment, but enhanced the range of our educational, medical, marketing, and political capabilities."

It was half a century ago that television first changed the lives of the people of this great state. Today, other "new technologies" also have the potential to bridge the geographic distances in this state and other rural areas of the United States, and I am committed to working with all of you to help bring these new technologies to every person across Alaska and across this country of ours.

I just wrapped up my first year at the Commission last month, and what a year it was. It started with the economy performing sub-par, and the wholesale demolition of the dot.coms and many of the competitive phone companies. And then came September 11 and the fundamental reorientation of U.S. Government policies, agency priorities and your and my personal and family lifestyles. Finally, in the last few weeks we have witnessed another round of unprecedented economic distress in the broader communications industries, including the possibility of service cut backs in certain

critical services. It was not a year any of us would like to relive.

Let's begin with the biggest event – September 11. The horrific events of that day added a whole new dimension to everything we were doing. Suddenly, not only were we dealing with the problems of a depressed advertising market, a burst internet bubble, and the demise of many telecom companies that had seemed like the worst possible crises themselves only months ago – but we faced a huge and totally unprecedented threat to our country's very safety and security.

A major unfinished task before the Commission this year is to strengthen homeland security in the wake of the terrorist attacks of September 11 and in preparation for what is likely more to come. Before I go any farther, I want to say to all of you what I have already said to some of you about the performance of America's communications industries on that terrible day. These industries all performed commendably, often heroically. Americans owe them and their workers a huge debt of gratitude for the actions and sacrifices that were made. Mobilizing immediately, communications companies kept us in touch with one another, helped us locate loved ones, expedited countless rescue operations, and generally brought us together as a nation and as a world as never before. And at great loss of revenue.

The Commission responded to the events of September 11 by establishing a Homeland Security Policy Council and, just recently, we chartered a new Media Security and Reliability Council with membership from media companies and related industries.

This builds upon our already-existing Network Reliability and Interoperability Council for telecom. I was pleased to see so many media company CEOs at the first meeting of this new group last month. So these are good steps and I applaud them, but I'd like to see us do even more. I want the FCC to be as aggressive as we can possibly be on homeland security. I have a real sense of urgency about this. Upgrading network reliability, building in systems redundancy, and deploying all available technologies in the war against terror are second-to-none national priorities and the FCC has the legislative mandate to not only be there, but to be out-front, leading the way. I don't believe we can afford to wait for a new department of government to be approved, organized and up-and-running. We need to be out-front now. When terror bears its murderous face again, I don't want the tiniest opening for anyone to say that the Commission or the industry was timid in any of its efforts.

The sad plight of so many telecom and dot.com companies is the other great event I have been watching from the Commission. It hasn't been pleasant. But I must tell you that I am, in spite of it all, and without qualm or doubt, an optimist about the future of communications technologies. Right now, in the world of business analysts and pundits and the handicappers of the stock market, that puts me in a pretty tiny minority. But I am used to being in the minority -- I'm a minority of one at the FCC, so you just have to call them like you see them and get on with the job. Most of the pundits and analysts of telecom are still mired in doom and gloom. But, you know, tracking great technological change -- historical change, really -- is different than tracking stocks.

Two years ago, the guys and gals supposedly in the know were in high orbit, extolling the end of the business cycle, prosperity forever, with telecom leading the way into a brave new world. Then recession hit, and they went from irrational exuberance to doomsday pessimism on the turn of a dime. I think they were wrong both times. Sure, the business plans of many of the dot.coms and start-ups were often faulty, but the technologies behind them not only remain – they are proliferating. The “boom-bust-and-boom-again” cycle has accompanied other great technology and infrastructure roll-outs throughout history, canals and railroads being two examples. In those cases there was excess enthusiasm and risky investment at the outset and the bubbles burst, but the infrastructure need endured, the technology was viable, and growth returned. I think the same will happen here. It won’t be tomorrow, but I think it will be sooner than many of the pundits predict.

There’s another factor at work here: we’re not adequately differentiating the forces that are slowing today’s market – the real culprits. I’m no economist, but I do believe a good case can be made that the shake-out in telecoms, insofar as factors strictly *internal to telecom* are concerned, has about run its course. It is difficult to see how they could be discounted much more at this late date. Driving the market’s decline now -- and the sector’s -- are corporate governance problems, accounting depredations, and a fundamental disconnect between the stock market and the basic good health of the American economy. We shouldn’t blame all this on telecom technology.

I do believe that the Commission has some responsibility in this area of corporate and accounting excesses. We need to rely less on the reporting conclusions the companies supply and rely more on our own independent analysis of that data for companies in the industries that we regulate. Unfortunately, we have been heading in exactly the wrong direction. We have cut back our accounting rules and put out a formal notice to see how many more of them we can jettison. We have indicated to the states that we may only collect data for our FCC purposes in the future, so that state regulators would then have to go get what they need on their own. I warned against this at the time and voted against that notice, and I will be pressing the Commission to revisit this policy direction in light of the clamorous events of recent weeks. The fact is that we must make full use of our existing authority to reduce the chance that accounting irregularities and corporate mismanagement will injure American consumers. Additionally, we need to let everyone know exactly what happens if there is a threat of service cut-backs or cut-offs. Finally, the Commission must evaluate whether it has sufficient authority to do what needs to be done or whether we need to ask Congress for additional authority. I don't think we should be bashful about any of this.

Let me tell you what we should *not* do. What we should not do is use the current situation as an excuse to back away from competition. It is during recessions and tough economic times when the calls increase for less competition and increased consolidation. We are hearing again that old siren song – that the way out of economic trouble is to get bigger, enjoy the economies of scale and reduce competition. I just don't buy that line of

reasoning. Re-monopolization is not the cure for telecom's problems. That is exactly the wrong prescription for the industry, and the wrong medicine for the American consumer.

Another important challenge related to the current difficulties being faced by communications industries is consolidation. The Nineties brought new rules permitting increased consolidation in the broadcasting industry, on the premise that broadcasters needed more flexibility in order to compete effectively. These rules paved the way for tremendous consolidation in the industry -- going far beyond, I think, what anyone expected at the time. These changes sometimes do create efficiencies that allow companies to operate more profitably and on a scale unimaginable just a few years ago. I recognize that without a measure of mergers and acquisitions, some stations would have gone dark and their communities would have been deprived of service. But consolidation also raises profound questions of public policy as the Federal Communications Commission reviews such mergers. How far should such combinations be allowed to go? How much debt can companies safely assume given the vagaries of the market? How do we protect localism, diversity, multiplicity of voices and choices, and the great marketplace of ideas that nourishes and sustains our democracy if we allow consolidation to run its course? How do we judge these things? Who should judge these things?

We all realize that the world has changed. That bigness is not necessarily badness. That we live in a global economy where the pressures of competition are extreme. Goodness knows, Alaska is familiar with this! We cannot turn the clock back

to a simpler past which never was, truth be told, quite that simple. So mergers are not inherently bad.

That being said, however, the American people have always harbored a deep distrust of excessive industrial consolidation, and they have always posted sentinels at the gate to guard against it. That skepticism persists. As I talk to Members of Congress, I hear widespread, and surprisingly bipartisan, concern about consolidation. There is concern about too much economic power and concern about the loss of localism and diversity. So it strikes me as bedrock that our review of proposed consolidations must venture beyond economic efficiencies if we are to ensure that combinations serve the public interest.

We need a national dialogue about all this. At the Commission we have teed up questions of seismic importance concerning America's telecom and media future, ranging from media ownership limits to the transmission of broadband and the existence of competition in our telecommunications industries. All of our rules, basically, are up for grabs. We need to go about this carefully and cautiously. Imagine if we move precipitously ahead and remove, say, all the media ownership limits. What if that turns out later to have been a mistake? How do you put *that* genie back in the bottle? I don't think we'd be able to at that point. So let's give this the attention it deserves and let's hear from everyone who has a stake in the outcome. The public interest is very much at stake in how these matters are determined.

And speaking of the public interest, I never miss an opportunity as I move around to talk with my fellow citizens about another matter that is important to me: protecting against indecency in the media. I know this is controversial, but it goes right to heart of the public interest responsibility. Every day I hear from Americans who are fed up with the patently offensive programming coming their way so much of the time. I hear from parents frustrated with the lack of choices available for their children. I even hear from broadcast station owners that something needs to be done about the quality of some of the programming they are running. I had a high-powered TV executive in my office a few months ago who told me he doesn't let his children watch television unless he's there to man the remote. I found that kind of sad.

I've referred to a "race to the bottom," but recently I'm beginning to wonder if there even *is* a bottom to it. I'm reminded of Charles Dickens' Tale of Two Cities. It is the best of times; it is the worst of times. On our TV screens today we have some of the best television ever. And we have undoubtedly -- undoubtedly -- the worst.

I believe that, as a society, we have a responsibility to protect children from content that is inappropriate for them. And when it comes to the broadcast media, the Federal Communications Commission has the statutory obligation -- the legal mandate -- to protect children from obscene and indecent programming. I take this responsibility with utmost seriousness. Our nation has enacted laws -- Constitutionally sanctioned laws -- to protect young people from these excesses. But the process by which the FCC has enforced these laws places inordinate responsibility upon the complaining citizen. When

someone sends in a complaint, he or she is usually told to supply a recording of the program or a transcript of the offending statement before the Commission can even proceed. That's just wrong. It is the *Commission's* responsibility to investigate complaints that the law has been violated, not the citizen's responsibility to prove the violations. I have suggested that broadcasters voluntarily keep tapes or transcripts for a reasonable period of time, like 60 or 90 days. Many already do this. I am not suggesting that broadcasters forward those tapes to Washington or Big brother FCC so we can while away the hours pouring over everything going out on the airwaves. I just think that when there is a complaint, there ought to be a record available on how those airwaves were used – or abused.

The problem goes far beyond tapes and transcripts, however, and so do broadcaster responsibilities. I believe that if they took more responsibility for what is broadcast, particularly when children are likely to be watching, broadcast and cable companies could make a huge contribution to our children and to our society. I am suggesting that they adopt – you adopt -- a voluntary Code of Conduct. Actually “readopt” would be a more accurate term, because such a code was in place for radio from the 1920s and for television from the 1950s until 1983 when it was struck down on narrow antitrust grounds. Through enlightened self-regulation, the industry clamped restrictions on the presentations of sexual material, violence, liquor, drug addiction, even on excessive advertising. The Code also affirmed broadcaster responsibilities toward children, community issues, and public affairs. It didn't always work perfectly, but it was

a serious effort premised on the idea that we can be well entertained at levels several cuts above the lowest common denominator that now dictates so much programming.

It would be infinitely preferable, and far quicker, to go the voluntary route rather than to have to travel down the usual Washington road of legislation, regulation and adjudication, with the years of legal suits, counter-suits and appeals that these inevitably generate. I believe that our radio and television and cable chieftains could come together and craft a new code, perfectly able to pass court muster, and one that would serve the needs of their businesses as well as those of concerned families. I am asking them to do so – now.

I've mentioned only a few of the matters of common interest that I hope we can work on together. There are many others. I look at all these challenges and I see a lot of work to be done. But I believe – I really do – that we can and we will get it done. Together. As I said before, I am an optimist.

I am an optimist about our country. How could anyone be otherwise after September 11 when you look at the unity, the compassion and the patriotism that have poured forth from every city, town and hamlet in this country from the North Slope of Alaska to Key West, Florida.

I am an optimist about our communications industries because I know we can use these stunning new technologies as tools to pry open the doors of economic opportunity for all our citizens and to power our economy through the 21st century.

And I am an optimist about our ability to work together to get the job done. Each of us has a role to play, whether as citizen, businessperson or public servant. Those of you who know me know the high value I place upon the public sector and the private sector working together to overcome the many challenges we face. I have spent most of my 30-plus years in Washington trying to build such partnerships, out of a bedrock conviction that we best serve the common good when we come together, reason together and pull together. I came to Alaska this week to say how much I am looking forward to working with you and pulling with you to make it all happen.

Thank you.